



2017 Annual Report

40 SQUARE COOPERATIVE SOLUTIONS
St. Paul, Minnesota

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Dear Members of 40 Square:

It has been my honor to serve as the Board Chair of 40 Square Cooperative Solutions and the 40 Square Consortium Trust during its inaugural year. Together we've built a co-op that focuses on providing Minnesota farm families with new health plan options and access to a rural provider network.

The road to creating 40 Square has been long – over 15 years in the making. It was identified early on that a major concern for farm families is affordable health care, and access to doctors and hospitals in our communities – not just in larger cities. With the help of Cooperative Network, the Minnesota and Wisconsin state trade association of cooperatives and United Farmers Cooperative in Winthrop, member-owned health plan options that had been advocated for since 2004 were designed for you and your employees, and officially launched January 1, 2018.

In my opinion, the best part about this is - we are a cooperative. Every member has a voice, and members have voting rights. You own your plan, and we are thankful you have joined us in this journey.

For our family, like many of yours, 40 Square has been very beneficial for us, as well as our employees who choose access it.

I truly believe that following the cooperative model, we are destined for success with people joining together to make it possible for everyone to not only obtain a health plan but advocate as one united voice for Minnesota farmers.

Our 40 Square team, comprised of board members, staff, and partners, worked tirelessly to make this effort a reality for 2018. We appreciate the overwhelming support we've had in our initial year.

However, we are still a grassroots organization, and some of your friends and neighbors may not be aware of us. Please help us make the 2018-2019 enrollment period an even greater success by spreading the word about our member-owned health plans.

Again, thank you for your backing. You are the foundation of what will become a prosperous and rewarding cooperative in Minnesota.

Regards,



Robby Gieseke
Chair, 40 Square Cooperative Solutions
Acting Chair, 40 Square Consortium Trust

2017 BOARD OF DIRECTORS

PRODUCER POSITIONS



Robby Gieseke
Board Chairman



Steve Schlangen
Board Vice Chairman



Kevin Lauwagie



Dean Sonnabend



Cole Trebesch

INVESTOR POSITIONS



Curt Eischens
Cooperative Network



Roger Kienholz
Crystal Valley Co-op



Jeff Nielsen, UFC
Board Secretary/Treasurer

ADVISORY MEMBERS



Terri Moxley
EBSO, Inc.



Rich Sobalvarro
General Counsel

STAFF



Char Vrieze
Executive Director



Kathy Watson
Member Support Specialist

Dear 40 Square Cooperative Solutions Members and Health Plan Participants,

Welcome to your inaugural annual report for 40 Square Cooperative Solutions' our first fiscal year. Thanks to you, we became a reality in 2017!

From the passage of legislation in January to bringing our offerings to you in November, to say 2017 was a whirlwind is certainly an understatement. We traveled thousands of miles across the state, held informational community meetings in 33 towns and presented over 50 times to over 2,000 farm families.

We could not have done this without the support of the Minnesota State Legislature, Governor Mark Dayton, our plan partners, and Minnesota's cooperative and agricultural communities. I would like to thank the co-ops across the state who were willing to hold a community meeting, provide refreshments, and get the word out through their communication channels to their respective membership. We are also extremely grateful for all the agricultural trade groups and associations who also lent a selfless hand in doing the same. I encourage you to take a look in this report and recognize the folks who helped make this inaugural year a reality.

As we traveled throughout the state, many of you expressed your desires of what you'd like to see from your co-op and health plans. We are excited to explore and do our best to deliver on those wishes as we move forward.

You will see us out on the road and across the state again throughout this year, not only for community informational meetings but at farm and trade shows as well. If you know of interested groups, areas in the state, and events we should be focusing in on, please let us know.

We will continue to work tirelessly in 2018 to make your co-op and health plans the best they can be! Our door is always open. Please do not ever hesitate to contact us if you have any questions, comments and concerns.

In Cooperation,

A handwritten signature in black ink that reads "Charlene Vrieze". The signature is written in a cursive, flowing style.

Charlene Vrieze
Executive Director/General Manager

Statistical Information: Overview of 2017 Open Enrollment

The following illustrations and information represent the membership of 40 Square Cooperative Solutions and all health plan participants.



Enrollment by the Numbers

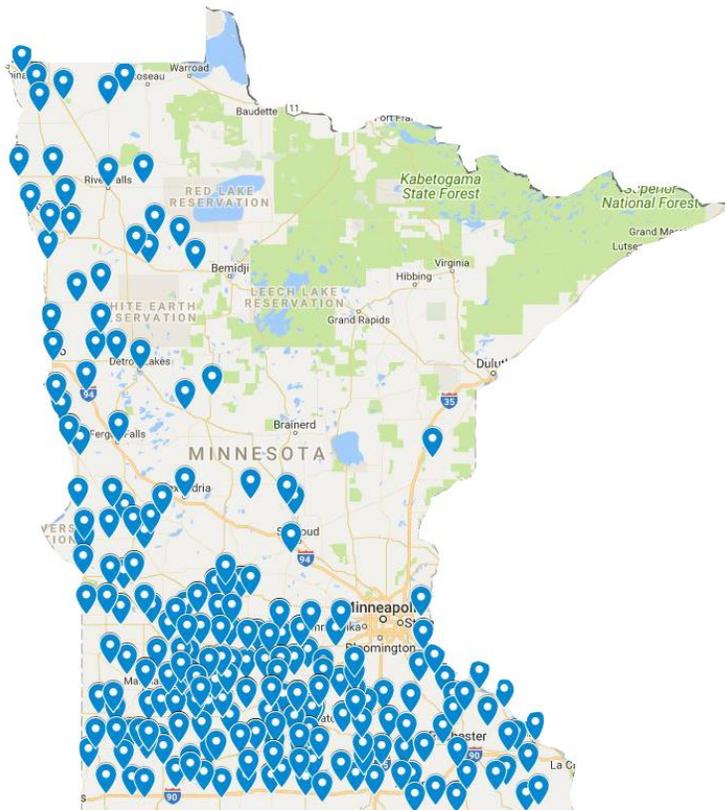
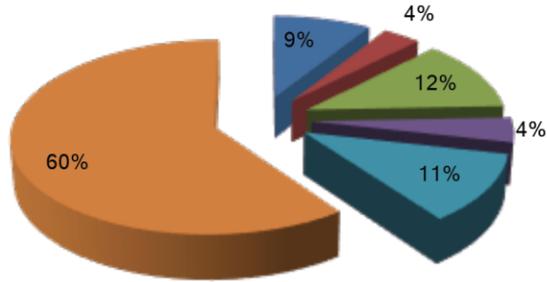
Cooperative Members 393

40 Square Consortium Health Plan

Minnesota Families 485

Total Individuals 1,074

Enrollment by Coverage Options



Distribution map of 40 Square members and health plan participants.

40 SQUARE COOPERATIVE SOLUTIONS
St. Paul, Minnesota

PERSONNEL and ORGANIZATIONAL DATA
December 31, 2017

OFFICERS AND DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Position</u>
Robby Gieseke	Nicollet, MN	Chairman
Steve Schlangen	Albany, MN	Vice Chairman
Jeff Nielsen.....	Henderson, MN.....	Secretary/Treasurer
Curt Eischens	Minneota, MN.....	Director
Roger Kienholz.....	Lake Crystal, MN.....	Director
Kevin Lauwagie.....	Winthrop, MN.....	Director
Dean Sonnabend.....	Vernon Center, MN.....	Director
Cole Trebesch	Springfield, MN.....	Director

Charlene Vrieze – Executive Director/General Manager
Rich Sobalvarro and Terri Moxley – Advisory Board Members

Within twelve months after the Cooperative begins operations and sale of health plan products to patron members, the initial Board shall cause the Cooperative to hold elections for directors to serve on the permanent Board, which shall include an odd number of directors numbering not less than five (5) nor more than nine (9) directors. At least a majority of the directors shall be elected by the Class A Voting members, and at least a majority minus one of the directors shall be designated and elected by the Class B Voting members. At all times, the majority of directors shall be designated and elected by the Voting Patron members.

ORGANIZATIONAL DATA

Date of IncorporationNovember 3, 2009

Under Laws of State ofMinnesota

Fiscal Year Ends..... December 31

Main Office St. Paul, Minnesota

NATURE OF BUSINESS

The Cooperative's purpose is to (i) better inform and educate members about health care, (ii) provide wellness information and (iii) offer increased access to affordable, quality health plan options for Minnesota's agricultural community.



Independent Auditor's Report

To the Board of Directors
40 Square Cooperative Solutions
St. Paul, Minnesota

We have audited the accompanying consolidated financial statements of 40 Square Cooperative Solutions, St. Paul, Minnesota, which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statement of operations, members' equity and cash flows for the period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of 40 Square Cooperative Solutions, St. Paul, Minnesota, as of December 31, 2017, and the results of their operations and their cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

March 9, 2018

Gardiner Thomsen

40 SQUARE COOPERATIVE SOLUTIONS
St. Paul, Minnesota

BALANCE SHEET
December 31, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 150,000
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PROPERTY, PLANT AND EQUIPMENT

Capital Asset Deposit	201,852
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TOTAL ASSETS	\$ 351,852
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LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Payables	
Trade	\$ 358,487

MEMBERS' EQUITY

Common Stock B	350,000
Common Stock C	50,000
Non-Voting Preferred Stock	150,000
Capital Reserve	(556,635)
Total Members' Equity	(6,635)

TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 351,852
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The accompanying notes are an integral part of the financial statements.

40 SQUARE COOPERATIVE SOLUTIONS
St. Paul, Minnesota

STATEMENT OF OPERATIONS
Period Ended December 31, 2017

Revenues	\$ 0
Operating Expenses	556,635
<hr/>	
Operating Loss Before Income Taxes	(556,635)
Income Taxes	
Current	0
Deferred	0
<hr/>	
Net Loss	\$(556,635)
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The accompanying notes are an integral part of the financial statements.

40 SQUARE COOPERATIVE SOLUTIONS
St. Paul, Minnesota

STATEMENT OF MEMBERS' EQUITY
 Period Ended December 31, 2017

	Total	Common Stock B	Common Stock C	Non-Voting Preferred Stock	Capital Reserve
Stock Issued	\$550,000	\$350,000	\$50,000	\$150,000	\$ 0
2017 Net Loss	(556,635)	0	0	0	(556,635)
Balance – December 31, 2017	\$ (6,635)	\$350,000	\$50,000	\$150,000	\$(556,635)

The accompanying notes are an integral part of the financial statements.

40 SQUARE COOPERATIVE SOLUTIONS
St. Paul, Minnesota

STATEMENT OF CASH FLOWS
Period Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss	\$ (556,635)
Adjustments to Reconcile Net Loss to Net Cash	
Provided by Operating Activities	
Organizational Costs	200,000
Changes in Assets and Liabilities	
Increase in Payables	156,635
Net Cash Used in Operating Activities	(200,000)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Issuance of Preferred Stock	150,000
Proceeds from Issuance of Common Stock	200,000
Net Cash Provided by Financing Activities	350,000

Increase in Cash 150,000

Cash - Beginning of Period 0

Cash - End of Period \$ 150,000

NON-CASH INVESTING ACTIVITIES

Purchase of Software through Trade Accounts Payable \$ 201,852

NON-CASH FINANCING ACTIVITIES

Common Stock Issued for Organizational Costs \$ 200,000

The accompanying notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

Note 1: Organization and Nature of Business

40 Square Cooperative Solutions (Cooperative) was organized in 2009 under Minnesota Law and is operating as a cooperative for the mutual benefit of its members. The Cooperative organized under Chapter 308B of the Minnesota statutes on November 3, 2009. The Cooperative's members are employers who have joined together for the purpose of providing self-insured health coverage to employees and their dependents. The Cooperative offers increased access to quality health care options; informs, coaches, and educates its members about health care; and provides wellness information for Minnesota's agricultural community.

Class A Voting Membership is limited to employers who:

- Actively work in production agriculture in Minnesota, and
- Files either Form 1065 or Schedule F with their income tax return
- Are a business enterprise providing direct services to production agriculture in Minnesota, subject to approval of the Cooperative
- Have at least one common law employee, as authorized by Minnesota State Statute 62H.18.

Class B Voting Common Stock and Class C Nonvoting Stock represent the interests of non-patron members.

Class A Voting members taken as a whole hold fifty-one percent (51%) of the Cooperative's aggregate voting power on those matters for which all members vote. Class B Voting members hold and vote the remaining forty-nine percent (49%).

The Cooperative intends to offer a self-funded health plan with benefit options to choose from to its members. The self-funded health plan is to be administered through a trust established by the Cooperative. The joint self-insurance plan and trust is known as 40 Square Consortium Health Plan.

Trusted Acres, LLC

Trusted Acres, LLC is organized as a limited liability company under Minnesota State Statute 322C. It was organized on October 10, 2017. Trusted Acres, LLC is a general sales agency, wholly-owned by the Cooperative, selling policies to members not accessible by other General Agents. Trusted Acres, LLC will also be involved in education and communicating with members/prospects. As of December 31, 2017 Trusted Acres, LLC had not conducted any business.

Notes to Consolidated Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies

The significant accounting practices and policies are summarized below.

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of 40 Square Cooperative Solutions and its wholly-owned subsidiary, Trusted Acres, LLC. In consolidation all significant intercompany accounts and transactions have been eliminated from the financial statements.

CONCENTRATION OF CREDIT RISK

The Cooperative maintains a cash balance with a national financial institution. The U.S. Federal Deposit Insurance Company (FDIC) coverage is up to \$250,000 for accounts at these institutions. At December 31, 2017, the cash balance did not exceed FDIC coverage.

MEMBERS' EQUITY

The Cooperative is organized with Common Stock issued to voting members and business enterprises providing direct services to production agriculture in Minnesota who will conduct patronage business with the Cooperative; non-patron business enterprises providing direct service to production agriculture; and nonvoting members meeting eligibility criteria established by the Board. Equities are issued and/or redeemed at par value. All equity transactions require approval by the board of directors.

DISTRIBUTION OF NET PATRONAGE INCOME

Net Patronage Income, less any amounts allocated to the Capital Reserve account is to be allocated annually at the discretion of the Board to recognize, in an equitable manner, the patronage of shareholders and the investments in all classes of Stock made by all classes of shareholders, as follows:

- (i) At least sixty percent (60%) of the Net Patronage Income will be allocated to Class A Voting Patron members on the basis of their respective patronage as defined pursuant to the Amended and Restated Bylaws
- (ii) The remaining balance of the Net Patronage Income will be allocated to the owners of the Class B Voting Stock and the Class C Nonvoting Stock, pro rata, based on the number of shares Class B Voting Stock and Class C Nonvoting Stock owned.

Net Patronage Income allocated to members will be distributed in cash, Patron's Equities, or any combination thereof designated by the Board.

Notes to Consolidated Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Cooperative is to provide health coverage options, information and education about health care, and provide wellness information for the agriculture community. Revenue will be recognized through a monthly administration fee from 40 Square Consortium Health Plan & Trust (Consortium). The fee, agreed upon by both the Cooperative and the Consortium is based on an established rate per individual covered. These revenues are recorded once such services have been rendered. The Cooperative will also receive commissions from policy sales through general sales agents, and Trusted Acres, LLC.

INCOME TAXES

The Company, as a non-exempt cooperative, is taxed on non-patronage earnings and any patronage earnings not paid or allocated to patrons.

The Company will evaluate uncertain tax benefits arising from tax positions taken or expected to be taken based upon the likelihood of being sustained upon examination by applicable tax authorities. If the Company determines that a tax position is more likely than not of being sustained, it will recognize the largest amount of the arising benefit that is greater than 50% likely of being realized upon settlement in the financial statements. Any tax positions taken or expected to be taken that do not pass the more likely than not test, the Company will establish reserves offsetting the benefits related to such positions. Interest and penalties, if any, will be included in the current period provision for income taxes in the Company's statement of savings and will be included as a current liability in the balance sheet.

Notes to Consolidated Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies (Continued)

DEFERRED INCOME TAXES

Deferred income taxes reflect the net tax effects of a temporary difference related to the net operating loss carryforward generated in the current period. Deferred tax assets and liabilities may be reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets or liabilities will not be realized.

ADVERTISING EXPENSES

The Company's advertising expenses are charged against income during the period in which they are incurred. Total advertising costs charged to expense for the period ended December 31, 2017 was \$31,322.

Note 3: Related Party Transactions

The Cooperative will conduct a substantial portion of its business with the members (owners) of the Cooperative. All Class A members of the Cooperative are required to be health plan participants, complete a health plan application and questionnaire to purchase coverage offered by the Trust. To be compliant with Minnesota State Statute 62H.18, members will be required to enroll in the Plan for a period of three years.

United Farmers Cooperative, Winthrop, Minnesota (UFC) has entered into an agreement to provide the Cooperative with certain management, marketing, administrative and accounting services all of which will utilize UFC's employees, expertise and equipment. UFC is a Class B Voting member of the Cooperative.

EBSO, St. Paul, Minnesota has entered into an agreement with the Consortium to provide third party administrative services to the Plan. Two owners of EBSO hold non-voting Common Stock C shares in the Cooperative.

Note 4: Cash in Bank

The Company maintains a bank account with CoBank, ACB which had a balance of \$150,000 at December 31, 2017.

Notes to Consolidated Financial Statements (Continued)

Note 5: Deposits on Capital Assets

Deposits on Capital Assets is stated at cost. No provision for depreciation is made on Capital Assets until such time as the relevant assets are completed and put into service. Deposits on Capital Assets at December 31, 2017 consists of the following:

Deposits on Capital Assets at December 31, 2017 that were expended during the period is as follows:

2017	Costs to Date	Estimated Completion Cost
Online Enrollment Portal Project	<u>\$201,852</u>	<u>\$201,852</u>

Note 6: Financing Arrangements

The Cooperative has not had the need for any borrowed funds or an operating line at this point. The Board of Directors has had conversations on the necessity of securing financing in the future.

Note 7: Retirement Plan

The Cooperative provides retirement benefits for its employees under a defined contribution pension plan sponsored by United Farmers Cooperative, Winthrop, Minnesota (UFC). Those plan's assets are held by Great-West Trust Company, LLC, the trustee of the plan. Eligibility for the plan is determined on the basis of various plan requirements. The Cooperative makes safe harbor matching contributions equal to 100% of salary deferrals, which do not exceed 3% of compensation, plus 50% of salary deferrals between 3% and 5% of compensation; which is consistent with the UFC's Plan. This safe harbor matching contribution is 100% vested as are all employee elective deferrals.

Total retirement plan expense for the period ended December 31, 2017 was \$680.

Notes to Consolidated Financial Statements (Continued)

Note 8: Members' Equity

There are three classes of members:

- Class A Voting Patron Members
- Class B Voting Members
- Class C Nonvoting Members

Class A Voting members hold the patronage interests, and must meet the following criteria:

- a) Be 18 years of age or older (if an individual); and
- b) Purchase one share of Patron Voting Stock in the amount of \$100 or in such other amounts and on such other terms as determined by the Board from time to time; and
- c) In addition to purchasing one share of Patron Voting Stock, Class A Voting members must purchase 10 shares of Class A Common Stock at \$100 per share in the first policy year to help fund the Cooperative. Class A Voting members may be required to purchase additional shares of Class A Common Stock at the discretion of the Board from time to time; and
- d) Actively at work in production agriculture and file either Form 1065 or Schedule F with the member's income tax return; or
- e) Be a business enterprise providing direct services to production agriculture in Minnesota, subject to approval of the Cooperative.

Class B Voting members must purchase or hold at least 10 shares of Class B Voting Common Stock with a par and liquidation value of \$5,000 per share, and must be a business enterprise providing direct services to production agriculture in Minnesota, subject to approval by the Cooperative.

Class C Nonvoting members must purchase and hold at least 5 shares of Class C Nonvoting Stock with a par and liquidation value of \$5,000 per share, and must meet other eligibility criteria established by the Board from time to time, subject to approval by the Cooperative.

Notes to Consolidated Financial Statements (Continued)

Note 8: Members' Equity (Continued)

Voting Rights

Each Class A Voting Patron member is entitled to only one vote on each issue that Class A Voting Patron member may vote upon regardless of the number of covered lives of such member covered by any health plan policy or plan held by the Cooperative. Class A Voting members taken as a whole hold fifty-one percent (51%) of the Cooperative's aggregate voting power on those matters for which all members may vote.

Class B Voting members shall have weighted voting power based on the number of shares Class B Voting Stock owned by all of the Class B Voting members. Class B Voting members hold forty-nine percent (49%) of the Cooperative's aggregate voting power on those matters for which all members may vote.

Nonvoting Preferred Stock

The Cooperative may have non-patron members who hold preferred equity interest which are identified as Nonvoting Preferred Stock. Dividends (i) will be at a rate per annum (which may be an adjustable rate) established by the Board or based on any other formula as may be established by the Board, and (ii) will be non-cumulative, except that dividends on any series or class of Nonvoting Preferred Stock may be cumulative if so specified by the Board at the time issuance of the Nonvoting Preferred Stock is approved.

Dividend rates have been established at 3%; and the dividends have been deemed to be cumulative at this time.

Patrons' Equities

The Net Patronage Income allocated to members shall be distributed in cash, Patrons' Equities, or any combination thereof designated by the Board. Patrons' Equities represent the right to receive cash or other property at a stated dollar amount upon redemption by the Cooperative and shall be in the form of book entries. Patrons' Equities form part of the capital of the Cooperative, do not bear interest, and are not subject to redemption at the request of any member. Patrons' Equities may be transferred only with the consent and approval of the Board. The redemption of Patrons' Equities is solely within the discretion of and on the terms described by the Board from time to time. The Board shall adopt and maintain in writing a redemption policy to guide the retirement or redemption of Patrons' Equities, which may provide for redemption of Patrons'

Notes to Consolidated Financial Statements (Continued)

Note 8: Members' Equity (Continued)

Equities owned by the Class A Voting Patron Members earlier than Patrons' Equities or other capital owned by Class B Voting Members and Class C Nonvoting Members. The redemption policy shall include a redemption goal under which Patrons' Equities owned by Class A Voting Patron Members will be redeemed upon retirement or age attainment, over a period of five years after the final claim paid is paid under the Member's health coverage, without interest, unless the Board determines in its sole discretion that the redemption of the Patrons' Equities may violate any applicable loan covenants or regulatory requirements or have an adverse effect on the financial condition or prospects of the Cooperative.

Capital Reserve Account

The Board shall cause to be created an unallocated Capital Reserve account and may, in its discretion, annually add to it such amounts as it deems necessary or appropriate. Amounts added to the capital reserve shall be considered to be total expenses for the year in which the amount is allocated to the Capital Reserve or for subsequent years as determined by the Board.

Note 9: Income Taxes

Components of the provision for income tax benefit for the period ended December 31, 2017 was as follows:

Current Tax Benefit	\$0
Deferred Tax Benefit	<u>0</u>
Total	<u><u>\$0</u></u>

Deferred income taxes reflect the net tax effects of a temporary difference related to the net operating loss carryforward generated in the current period. The deferred tax asset is classified as non-current according to the expected reversal periods of the temporary timing difference. A valuation allowance has been established to reduce the reported amount of the deferred tax asset associated with the net operating loss generated this period.

Amount for deferred tax asset at December 31, 2017 are as follows:

Deferred Tax Asset – Non-Current	
Net Operating Loss	\$ 112,000
Valuation Allowance	<u>(112,000)</u>
	<u><u>\$ 0</u></u>

Notes to Consolidated Financial Statements (Continued)

Note 9: Income Taxes (Continued)

The Cooperative recognizes any uncertain tax benefits if such benefits are a result of a tax position that is more likely than not sustainable upon examination by Federal or State tax authorities. When an uncertain benefit is determined to be more likely than not sustained, the Cooperative values the position, for financial statement purposes, of the largest amount of the tax benefit that is more than 50% likely of being realized upon resolution of the benefit. For any tax positions taken that do not meet the more likely than not criteria, the Cooperative establishes a tax reserve for 100% of the position taken.

As of December 31, 2017, no significant amounts of unrecognized tax benefits existed nor does the Company anticipate any significant changes in unrecognized tax benefits to occur within the next year.

The Company will file tax returns with the Internal Revenue Service and the State of Minnesota.

Note 10: 40 Square Consortium Health Plan & Trust

The Cooperative sponsors a joint self-insurance plan administered through a tax-exempt trust under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended, also known as a VEBA Trust, established by the Cooperative. This structure is required under an exemption allowed under the Minnesota Agricultural Cooperative Health Plan Statute 62H.18. The plan, 40 Square Consortium Health Plan & Trust (Consortium) must satisfy the requirements that apply to employee welfare benefit plans of the Employee Retirement Income Security Act (ERISA). The Consortium will be governed by a separate Board of Directors, elected by members, as required by law.

Members of the Cooperative are required to be health plan participants, complete a health plan application and questionnaire to purchase coverage offered by the Trust. To be compliant with Minnesota State Statute 62H.18, members will be required to enroll in the Plan for a period of three years.

The self-funded health plan will offer six benefit options to choose from; with additional benefits available such as dental, vision and life.

The Plan is not treated as health insurance for purposes of state regulation. By enacting Minnesota State Statute 62H.18 Agricultural Cooperative Health Plan, the state has chosen not to regulate this type of benefit arrangement; however, plans are intended to provide minimum essential coverages for the participating members for purposes of the Patient Protection and Affordable Care Act.

Notes to Consolidated Financial Statements (Continued)

Note 11: Equity Received Subsequent to Year End

In January and February 2018, the Cooperative received cash of \$290,248 in exchange for Class A Voting Common Stock and Class A Common Stock; plus \$300,000 in exchange for Class B Voting Common Stock.

Note 12: Subsequent Event

The Cooperative has considered the effect, if any, that events occurring after the consolidated balance sheet date and up to March 9, 2018 have on the consolidated financial statements as presented. This date coincides with the date the consolidated financial statements were available to be issued.

RECOGNITION OF SUPPORTERS

THE FOLLOWING DIRECTLY ASSISTED OUR EFFORTS TO MAKE OUR INAUGURAL 2017 OPEN ENROLLMENT PERIOD A REALITY. THE SUCCESS OF 40 SQUARE COOPERATIVE SOLUTIONS COULD NOT HAVE BEEN POSSIBLE WITHOUT THEIR SUPPORT!

AdvisorNet Insurance	Lakes Area Cooperative
Agrasure	Meadowland Farmers Cooperative
AgCountry Farm Credit Services	MiEnergy Cooperative
Ag Partners	Minn-Dak Farmers Cooperative
AMPI, Inc.	Minnesota Cattlemen's Association
Bagley Cooperative Association	Minnesota Corn Growers Association
Bongards' Creameries	Minnesota Barley Growers Association
Central Counties Cooperative	Minnesota Farmers Union*
Central Region Cooperative*	Minnesota Grain and Feed Association
Central Farm Service	Minnesota Milk Producers Association
CHS, Inc.	Minnesota Rural Electric Association
CHS Country Operations	Minnesota Soybean Growers Association
Compeer Financial	Minnesota State Legislators and Staff
Cooperative Network*	Minnesota Turkey Growers Association
Cottonwood Co-op Oil	Minnesota Wheat Growers Association
Crystal Valley Cooperative*	Northern Resources Cooperative
EBSO, Inc.	Paynesville Farmers Union Co-op Oil Co.
Farmers Coop Association of Canby	Red River Valley Sugarbeet Growers Association
Farmers Co-op of Hanska	Risty Benefits, Inc.
Farmers Union Co-op of Montevideo	River Country Cooperative
Farmers Union Insurance Agency	Southern Minnesota Beet Sugar Cooperative
Farmward Cooperative*	United Farmers Cooperative*
Genesis Growing Solutions	Western Consolidated Cooperative
Governor Mark Dayton and Staff	
IFC National Marketing	

**Denotes additional support as 40 Square Cooperative Solutions' Investor Partners*

NOTES



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